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Message Text

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60
ACTION PM-07

INFO OCT-01 EUR-25 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

EB-11 FEA-02 FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00

NSC-07 OMB-01 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08

TRSE-00 DRC-01 PA-04 PRS-01 /159 W
---------- 114523
O 102313Z MAY 74
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC NIACT IMMEDIATE 3454

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DEPT PASS DOD/ISA ATTN: INTERNATIONAL ECONOMIC AFFAIRS - CAPT. ROBERTSON

E.O. 11652: N/A
TAGS: ENRG MILI CA US
SUBJECT: ENERGY: DENIAL OF EXPORT LICENSE OF JET FUEL UNDER GOC-US CONTRACT

1. U.S. DEFENSE FUEL SUPPLY SERVICE HAS CONTRACT WITH CANADIAN COMMERCIAL CORPORATION (CROWN CORPORATION) FOR SUPPLY OF 23 MILLION GALLONS OF JET FUEL (JP-5) AT 17.5 CENTS PER GALLON. EXPORT LICENSE APPLICATION FOR EXPORT OF 195,000 GALLONS (FIRST SHIPMENT UNDER CONTRACT) FOR LOADING ONTO USNS YUKON, PRESENTLY WAITING AT COME-BY-CHANCE, HAS BEEN DENIED BY NATIONAL ENERGY BOARD (NEB) ON GROUNDS PRICE IS NOT "JUST AND REASONABLE". FYI EMBASSY UNDERSTANDS THAT CURRENTLY GOC IS PAYING 31 CENTS PER GALLON FOR SAME FUEL. END FYI.

2. AS BACKGROUND, ORIGINAL USG-CCC CONTRACT CALLED FOR PROVISION OF JP-4 FUEL, A PRODUCT NOT SUBJECT TO NEB
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EXPORT CONTROLS. HOWEVER, AS EMBASSY UNDERSTANDS IT,

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SHAHEEN'S NEW COME-BY-CHANCE REFINERY, WHICH IS CCC'S
SUB-CONTRACTOR IN THIS CASE, DOES NOT PRODUCE JP-4
AND CONSEQUENTLY CONTRACT WAS AMENDED ON MARCH 27 TO
PROVIDE JP-5, A PRODUCT WHICH IS SUBJECT TO EXPORT
LICENSING. UNDER TERMS OF NEB'S STATUTORY AUTHORITY,
BEFORE ISSUING EXPORT LICENSE, NEB MUST FIND THE EXPORT
SURPLUS TO CANADIAN REQUIREMENTS AND THAT EXPORT PRICE
IS "JUST AND REASONABLE". ACCORDING TO NEB, LATTER
REQUIREMENT NOT MET IN CASE AT HAND.

3. DOD HAS RAISED QUESTION WITH EMBASSY BY TELEPHONE
WHETHER ISSUE CAN BE RESOLVED QUICKLY OR WHETHER USNS
YUKON, WHICH INCURRING CHARGES OF $10,000 PER DAY, SHOULD
BE WITHDRAWN FROM COME-BY-CHANCE.

4. EMBASSY RAISED MATTER ON URGENT BASIS WITH EXTAFF
UNDER-SECRETARY RITCHIE TO SEEK HIS HELP AND/OR ADVICE
WHAT COULD BE DONE AND WHAT COULD BE DONE MOST QUICKLY.
HE OFFERED HIS FACILITATIVE ASSISTANCE WITH CONVENEING
OF NEB PERHAPS THIS WEEKEND, BUT BELIEVED THAT US'S
SUPPLIER WOULD HAVE TO COME FORWARD WITH PROPOSAL TO SELL
PRODUCT (JP-5) AT "JUST AND REASONABLE" PRICE, WHICH HE
SAID HE THOUGHT WAS SOMEWHERE AROUND 30 CENTS OR MORE.
HE ALSO SAID HE EXPECTED THAT USDOD MIGHT BE AWARE OF
APPROPRIATE LEVEL.

5. SUBSEQUENT TO ABOVE, EMBASSY ADVISED BY EXTAFF THAT
NEB WOULD HAVE NO REPEAT NO DIFFICULTY IN ISSUING EXPORT
LICENSE OVER THIS WEEKEND IF NEWFOUNDLAND REFINERY WOULD
DO THE NECESSARY, I.E. PROPOSE NEW PRICE. (EXTAFF OFFICIAL
STATED THAT REFINERY HAS GOOD KNOWLEDGE OF WHAT PRICE WOULD
GAIN NEB APPROVAL.) REFINERY COULD PROCESS APPLICATION BY
TELEPHONING ROB STEVENS (HOME PHONE 613-745-3222) OR NEB
ASSOCIATE VICE-CHAIRMAN JACK STABBACK (613-729-5914).

6. AS EMBASSY SEES IT, THERE IS REAL TIME PROBLEM, AS
WELL AS SANCTITY OF CONTRACT PROBLEM, AS WEIGHED AGAINST
TIME AND EXPENSE INVOLVED IN KEEPING TANKER AT
COME-BY-CHANCE AWAITING RESOLUTION OF PROBLEM.

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7. PLEASE ADVISE EMBASSY IF THERE IS ANYTHING MORE WE
CAN PROVIDE OR DO AT THIS END BEFORE DOD DECISION
MADE AS TO WHETHER TO WITHDRAW TANKER NOW OR PRESS ON
FOR NEW NEB REVIEW. ONE THING CERTAIN IS THAT NEB
WILL NOT REVIEW APPLICATION UNLESS PRICE CAN BE RAISED
TO "JUST AND REASONABLE" ONE.
PORTER

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Message Attributes

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Draft Date: 10 MAY 1974
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Disposition Remarks:
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